

Statement

Insurance Association of Connecticut

6445

Insurance and Real Estate Committee

February 19, 2009

HB 6445, An Act Concerning Homeowner's Policy Premiums

The Insurance Association of Connecticut is opposed to HB 6445, An Act Concerning Homeowner's Policy Premiums, as it is unnecessary and unduly burdensome.

HB 6445 seeks to prohibit homeowner insurers from increasing premiums due to a claim resulting from a 53a-100aa felony home invasion. Homeowner insurance rates are impacted by many factors of which claims loss and exposure are just an example of such factors. The likelihood of a claim or future claims, the severity of a loss and future losses all impact the claim experience portion of one's rate. The classification of an event causing the loss has no impact on rate. For example, a fire loss is a fire loss, regardless if it is a one-alarm fire or a five-alarm fire. As such, a home invasion that results in a homeowner claim impacts one's rate no differently if it is classified as a felony home invasion or simple burglary. Additionally, it is highly unlikely an insurer would ever know what classification is placed on an event, if a suspect is captured, or what the final criminal classification is if a conviction ever occurs. As a rate increase is not predicated on the classification of a home invasion as a 53a-100aa home invasion, there is no demonstrated need for HB 6445.

Furthermore to prohibit an insurer from increasing a rate because a claim was presented for a covered risk, ignores the fundamental nature of insurance. If an individual lives in a high crime area and suffers a theft loss or vandalism loss, the likelihood of an insured suffering a similar loss in the future is much greater. Therefore the rate should be able to reflect the risk presented. Prohibiting insurers to assess a risk properly will likely result in insurers becoming less likely to underwrite such risks altogether.

HB 6445 also seeks to require that for any rate increase in homeowner premiums an insurer must provide specific information that is unduly burdensome and irrelevant. One's premium may be increased or decreased from year to year depending on a whole host of reasons and combination thereof. Claims experience is just one of many factors that impact rate. To require an insurer to provide a detailed explanation of the specific amount attributable to a covered loss would require insurers to conduct multiple calculations and provide information to an insured they might not understand. Furthermore, what if the insured has had multiple claims within a policy period? Additionally, there are other factors that may have caused a rate to increase and claims experience may have no impact on such increase. How would an insurer report that and insured understand that? To require insurers to run calculations for every individual policy and provide a detailed explanation will be unduly burdensome and costly while providing little benefit to the consumer.

HB 6445 further requires an insurer provide detail information regarding the duration of an increase and penalties. Rate increases are not calculated on a durational basis. It is fundamentally unsound to require something from insurers

that has no relation to the way a rate is calculated. Additionally, it is unclear what is meant by "penalties"? Insurers don't utilize penalties. If the drafter's intent is regarding surcharges, a surcharge is charged for as long as a risk presents itself. Providing an explanation of the duration is not within the insurer's control or ability and as such it would be improbable for an insurer to provide such information.

For the above stated reasons the IAC urges your rejection of HB 6445